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FISCAL IMPACT STATEMENT

LS 6320

BILL NUMBER: HB 1525

NOTE PREPARED: Dec 16, 2010

BILL AMENDED:

SUBJECT: Volunteer Firefighter Tax Deduction.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides an individual income tax deduction of up to \$2,000 for income received by an individual for service as a volunteer firefighter or a police reserve officer.

Effective Date: January 1, 2012.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction for volunteer firefighters. The Department's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual taxpayers who receive income for service provided as a volunteer firefighter beginning in tax year 2012. If all volunteer firefighters and police reserve officers claim the maximum allowable deduction, the revenue loss could total about \$1.6 M beginning in FY 2013 (for deductions claimed on tax year 2012 tax returns). Revenue from the individual AGI tax is deposited in the state General Fund.

Background Information - The bill provides a deduction from taxable income for the first \$2,000 of income received by an individual taxpayer for service during the year as a volunteer firefighter. It is estimated that there are about 20,000 volunteer firefighters and about 3,000 police reserve officers in Indiana; however, the number receiving income for these services is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the new deduction for volunteer firefighters and police reserve officers would serve to decrease taxable income, counties imposing local option income taxes could potentially experience a minimal decrease in revenue from these taxes.

State Agencies Affected: DOR.

Local Agencies Affected: Counties with local option income taxes.

Information Sources: Mike Garvey, Indiana Department of Homeland Security, 317-232-3983; Maria Bell, Indiana Law Enforcement Academy; 317-837-3227.

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